



Dave Yost • Auditor of State

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monclova Township
Lucas County
4335 Albon Road
Monclova, Ohio 43542-9346

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Monclova Township, Lucas County, Ohio (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

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117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monclova Township, Lucas County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Monclova Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter. Also, as discussed in Note 2 to the financial statements for the year ended December 31, 2011, the Township revised its financial presentation from the cash basis to a format using accounting practices the Auditor of State prescribes or permits.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2013

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|--|--------------------|--------------------|-----------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$1,192,022 | \$1,854,970 | \$51,493 | | \$3,098,485 |
| Charges for Services | | 116,473 | | | 116,473 |
| Licenses, Permits, and Fees | 209,736 | 15,375 | | | 225,111 |
| Intergovernmental | 390,978 | 468,453 | 13,612 | \$259,600 | 1,132,643 |
| Special Assessments | | 342,430 | | | 342,430 |
| Earnings on Investments | 9,123 | 11 | | | 9,134 |
| Miscellaneous | 413,247 | 48,761 | | | 462,008 |
| <i>Total Cash Receipts</i> | <u>2,215,106</u> | <u>2,846,473</u> | <u>65,105</u> | <u>259,600</u> | <u>5,386,284</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 588,521 | | | | 588,521 |
| Public Safety | 5,804 | 1,232,192 | | | 1,237,996 |
| Public Works | 221,500 | 1,333,703 | | | 1,555,203 |
| Health | 80,000 | 17,260 | | | 97,260 |
| Conservation-Recreation | 44,135 | | | | 44,135 |
| Other | 19,118 | 47,980 | | | 67,098 |
| Capital Outlay | | | | 403,752 | 403,752 |
| Debt Service: | | | | | |
| Principal Retirement | | | 86,986 | | 86,986 |
| <i>Total Cash Disbursements</i> | <u>959,078</u> | <u>2,631,135</u> | <u>86,986</u> | <u>403,752</u> | <u>4,080,951</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,256,028</u> | <u>215,338</u> | <u>(21,881)</u> | <u>(144,152)</u> | <u>1,305,333</u> |
| Other Financing Receipts | | | | | |
| Other Debt Proceeds | | | | 144,152 | 144,152 |
| <i>Net Change in Fund Cash Balances</i> | 1,256,028 | 215,338 | (21,881) | | 1,449,485 |
| <i>Fund Cash Balances, January 1</i> | <u>3,831,637</u> | <u>2,105,306</u> | <u>108,469</u> | <u>78,993</u> | <u>6,124,405</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | | 2,320,644 | 86,588 | 78,993 | 2,486,225 |
| Unassigned | 5,087,665 | | | | 5,087,665 |
| <i>Fund Cash Balances, December 31</i> | <u>\$5,087,665</u> | <u>\$2,320,644</u> | <u>\$86,588</u> | <u>\$78,993</u> | <u>\$7,573,890</u> |

The notes to the financial statements are an integral part of this statement.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|--|--------------------|--------------------|------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$1,202,637 | \$1,270,716 | \$59,584 | | \$2,532,937 |
| Charges for Services | | 112,474 | | | 112,474 |
| Licenses, Permits, and Fees | 209,010 | 115,755 | | | 220,585 |
| Intergovernmental | 345,048 | 421,702 | 18,273 | \$311,675 | 1,096,698 |
| Special Assessments | | 447,506 | | | 447,506 |
| Earnings on Investments | 20,885 | 14 | | | 20,899 |
| Miscellaneous | 21,613 | 37,750 | | | 59,363 |
| <i>Total Cash Receipts</i> | <u>1,799,193</u> | <u>2,301,737</u> | <u>77,857</u> | <u>311,675</u> | <u>4,490,462</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 600,797 | | | | 600,797 |
| Public Safety | 537,846 | 559,057 | | | 1,096,903 |
| Public Works | 202,648 | 1,270,739 | | | 1,473,387 |
| Health | 74,409 | 17,515 | | | 91,924 |
| Conservation-Recreation | 71,029 | | | | 71,029 |
| Capital Outlay | 11,035 | 96,850 | | 320,841 | 428,726 |
| Debt Service: | | | | | |
| Principal Retirement | | | 70,990 | | 70,990 |
| <i>Total Cash Disbursements</i> | <u>1,497,764</u> | <u>1,944,161</u> | <u>70,990</u> | <u>320,841</u> | <u>3,833,756</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>301,429</u> | <u>357,576</u> | <u>6,867</u> | <u>(9,166)</u> | <u>656,706</u> |
| Other Financing Receipts | | | | | |
| Other Debt Proceeds | | | | 9,166 | 9,166 |
| <i>Net Change in Fund Cash Balances</i> | 301,429 | 357,576 | 6,867 | | 665,872 |
| <i>Fund Cash Balances, January 1</i> | <u>3,530,208</u> | <u>1,747,730</u> | <u>101,602</u> | <u>78,993</u> | <u>5,458,533</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | | 2,105,306 | 108,469 | | 2,213,775 |
| Unassigned | 3,831,637 | | | 78,993 | 3,910,630 |
| <i>Fund Cash Balances, December 31</i> | <u>\$3,831,637</u> | <u>\$2,105,306</u> | <u>\$108,469</u> | <u>\$78,993</u> | <u>\$6,124,405</u> |

The notes to the financial statements are an integral part of this statement.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monclova Township, Lucas County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Lucas County Sheriff to provide police protection services to the Township.

The Township participates in one public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA)

The Township's management believes these financial statements present all activities for which the Township is financially accountable

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund - This fund receives property tax money to pay for fire department expenses.

Police Levy Fund – This fund received property tax money to pay for police service expenses.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Keener Road Fund – This fund is used to repay Ohio Public Works Commission (OPWC) for debt incurred to facilitate this road project.

Weckerly, Salisbury, Maplesburg, and Cedarsburg Roads Fund – This fund is used to repay OPWC for debt incurred to facilitate this road project.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Funds

Black Road Project OPWC Fund – This fund received OPWC loan funds for the reconstruction of Black and Manley roads.

Quarry Project OPWC Fund – This fund received a state grant in 2011 and a state grant and loan in 2012 for the Quarry Project and surrounding roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle

In prior years, the Township reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. For 2011, the Township began reporting on a regulatory basis. The Township no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with nonmajor funds aggregated and presented in a single column.

For 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change had no effect on the previously stated fund balances.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

| | 2012 | 2011 |
|--|-------------|-------------|
| Demand deposits | \$5,208,399 | \$3,768,047 |
| Certificates of deposit | 707,472 | 702,544 |
| Other time deposits (savings and NOW accounts) | 1,658,019 | 1,653,813 |
| Total deposits | \$7,573,890 | \$6,124,405 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2012 as follows:

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------|
| General | \$1,525,000 | \$2,215,106 | \$690,106 |
| Special Revenue | 2,856,000 | 2,846,473 | (9,527) |
| Debt Service | 74,303 | 65,105 | (9,198) |
| Capital Projects | 338,600 | 403,752 | 65,152 |
| Total | \$4,793,903 | \$5,530,436 | \$736,533 |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------|
| General | \$1,344,890 | \$977,574 | \$367,316 |
| Special Revenue | 3,339,018 | 2,659,258 | 679,760 |
| Debt Service | 103,167 | 86,986 | 16,181 |
| Capital Projects | 502,263 | 403,752 | 98,511 |
| Total | \$5,289,338 | \$4,127,570 | \$1,161,768 |

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,412,000 | \$1,799,193 | \$387,193 |
| Special Revenue | 2,261,000 | 2,301,737 | 40,737 |
| Debt Service | 59,585 | 77,857 | 18,272 |
| Capital Projects | 522,289 | 320,841 | (201,448) |
| Total | \$4,254,874 | \$4,499,628 | \$244,754 |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,734,146 | \$1,520,951 | \$213,195 |
| Special Revenue | 2,716,228 | 2,016,843 | 699,385 |
| Debt Service | 101,023 | 99,457 | 1,566 |
| Capital Projects | 366,059 | 340,352 | 25,707 |
| Total | \$4,917,456 | \$3,977,603 | \$939,853 |

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. Taxes paid semi-annually are due January 31, with the remainder payable by July 31. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt

Debt outstanding at December 31, 2012 was as follows:

| | Principal | Interest Rate |
|------------------------------------|-----------|---------------|
| Ohio Public Works Commission Loans | \$450,574 | 0% |

The Ohio Public Works Commission (OPWC) loans were received to finance improvements to Stonebrooke/Brandywine roads – Phase 2, Obee road, Anthony Drive, Wayne Court, S. Jerome and Black roads, Keener and Monclova roads, Cedarburg, Maplesburg, and Weckerly roads, and Lucas County, Monclova Township Cooperative Resurfacing project. These zero interest loans will be repaid in semiannual installments over ten years. As the loans are disbursed on behalf of the Township to contractors by OPWC, the Township records additions to the loan balance.

Amortization of the above debt is scheduled as follows:

| Year ending December 31: | Principal |
|--------------------------|-----------|
| 2013 | \$66,199 |
| 2014 | 76,768 |
| 2015 | 67,881 |
| 2016 | 64,899 |
| 2017 | 60,612 |
| 2018-2020 | 114,215 |
| Total | \$450,574 |

7. Retirement Systems

The Township's certified Full-Time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2012, OP&F participants contributed 10% of their wages. For 2011 and 2012, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2011 and 2012, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|-------------|---------------------|---------------------|
| Assets | \$34,771,270 | \$35,086,165 |
| Liabilities | <u>(9,355,082)</u> | <u>(9,718,792)</u> |
| Net Assets | <u>\$25,416,188</u> | <u>\$25,267,373</u> |

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$23,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

| <u>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2012</u> | <u>2011</u> |
| \$39,573 | \$39,843 |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Monclova Township
Lucas County
4335 Albon Road
Monclova, Ohio 43542-9346

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Monclova Township, Lucas County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and the Township adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2013

**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2012-001

Material Weakness

Entering Financial Data into the Accounting System

The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system. Not posting financial information accurately to the ledgers resulted in audit adjustments made to the financial statements.

- Adjustments were made to the 2012 financial statements for \$19,303 to properly allocate Real Estate Taxes and Special Assessment that should have been posted to the General Fund, but were posted to the Road and Bridge Fund for \$6,443, the Fire Levy Fund for \$4,296, the Police Levy Fund for \$7,594, and the Street Lighting Fund for \$970;
- Adjustments were made to the Quarry Project fund in 2012 and the Weckerly, Salisbury, Maplesburg, and Cedarburg Roads Project fund in 2011 for \$144,152 and \$9,166 respectively, for proceeds from loans and the related disbursements to include amounts the Township benefited from the Ohio Public Works Commission Loan Programs.
- An adjustment was made to the Briarfield, Fallen Timbers, Hilltop, and Ramm Roads Project fund in 2011 for \$18,893 for receipts and disbursements to include funding received from OPWC grant program.

As a result of these adjustments, there were material changes required to the financial statements, and the notes to the financial statements.

We recommend the Township's Fiscal Officer establish policies and procedures to ensure the accurate posting of all financial activity. Cash receipts and disbursements postings should be made in accordance with procedures and posting guidelines established by the Uniform Accounting Network. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Board of Trustees more closely monitor financial information posting to help detect any posting errors or inaccuracies.

Officials' Response:

Procedures are now in place to ensure that recommendations are implemented.

FINDING NUMBER 2012-002

Material Weakness

Budgetary Process

For 2011, we identified the following conditions:

FINDING NUMBER 2012-002
(Continued)

- The unencumbered balances reported on the Certificate of Estimated Resources did not agree to the prior year audited unencumbered balances. The General Fund and the Maintenance Building Renovations Funds were overstated on the Certificate by \$306,608, and \$78,993, respectively. The following Special Revenue and Debt Service funds and amounts were understated on the Certificate: Road and Bridge by \$65,593, Special Fire Levy by \$34,917, Lighting District by \$150,000, Stonebrooke/BW2 by \$3,281, LaPlante Note by \$4,599, Heavy Rescue by \$64,000, Brandywine by \$3,491, Fire Rescue by \$1,506, Anthony, Wayne Court OPWC by \$2,900, and Keener Road by \$21,825;
- Budgeted current year receipts reported on the Certificate of Estimated Resources did not agree to the amounts reported in UAN. The following funds' budgeted receipts were overstated in UAN: General by \$200,500, Motor Vehicle License Tax by \$10, Gasoline Tax by \$3,010, Permissive Motor Vehicle License Tax by \$1,025, and Ambulance and Emergency by \$5,000. The following funds' budgeted receipts were understated in UAN: Road and Bridge by \$61,000, Cemetery by \$500, Special Fire Levy by \$9,000, and Lighting District by \$45,856;
- Appropriations did not agree to what was input to the UAN Appropriations Ledger for the Road and Bridge Fund by \$930;
- Appropriations were amended for the Road and Bridge Fund for \$59,940. However, we were unable to obtain support identifying that the amendment was approved by the County Auditor;
- The Maintenance Building Renovations and Butz Road Project Funds were categorized as Debt Service Funds on the Certificate of Estimated Resources. However, these two funds are Capital Project Funds within UAN.
- Appropriations exceeded total available for the Weckerly and Salisbury road project fund by \$18,272.

For 2012, we identified the following conditions:

- Budgeted current year receipts reported on the Certificate of Estimated Resources did not agree to the amounts reported in UAN. The Road and Bridge, and the LaPlant Note, OPWC Black Road funds' budgeted receipts were understated in UAN by \$61,303, \$9,199, and \$338,600, respectively. The Special Fire Levy, and the Police fund's budgeted receipts were overstated in UAN by \$100,000, and \$10,000 respectively.
- Appropriations exceeded total available for appropriations for the OPWC Quarry Project Fund \$482,752 and the Brandywine Debt Service Fund by \$3,492.

To provide Township Officials the ability to monitor budgets with complete and accurate budgetary data, we recommend:

- Unencumbered balances be substantiated with the prior year ending unencumbered balances, taking into consideration any audit adjustments that may require an Amended Certificate;
- The Certificate of Estimated Resources should correspond with the proper category of funds established in the UAN accounting system;

FINDING NUMBER 2012-002
(Continued)

- Budgeted Receipts and Appropriations posted in the UAN accounting system should reflect the latest approved Amended Certificate of Estimated Resources and the latest approved Appropriations;
- Township Officials should monitor the Township budgets by obtaining UAN monthly budgetary reports
- The Budgetary reports should be reviewed to officially approved budgetary documents including any amendments.

Officials' Response:

Procedures are now in place to ensure that recommendations are implemented.

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**MONCLOVA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-001 | Material weakness due to Adjustments made to the financial statements. | No | Partially corrected and repeated as Finding Number 2012-001 in this report. |
| 2010-002 | Material weakness due to estimated receipts and appropriations not being posted to the accounting system completely and accurately. | No | Not Corrected and repeated as Finding Number 2012-002 in this report. |

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Dave Yost • Auditor of State

MONCLOVA TOWNSHIP

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2013**